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May 16, 2003

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: Request for Approval of Firm Storage and Transportation Agreements

Dear Secretary Cottrell:

NSTAR Gas Company ("NSTAR Gas" or the "Company") hereby files with the Department of Telecommunications and Energy (the "Department") for approval of interrelated Service Agreements with the National Fuel Gas Supply Corporation ("National Fuel"). The Service Agreements consist of an FSS Service Agreement for firm storage service (the "FSS Agreement") and an FST Service Agreement for firm Transportation Service (the "FST Agreement," together with the FSS Agreement, the "Agreements"). Through the Agreements, National Fuel will provide firm storage service to NSTAR Gas up to a Maximum Storage Quantity of 350,000 Dekatherms per year, as well as firm transportation service, each for one-year terms beginning April 1, 2003, with the option to continue service thereafter under certain conditions.

In addition to the Agreement, the Company is submitting an Explanatory Statement and other documentation to demonstrate that its arrangement with National Fuel: (1) is consistent with the portfolio objectives established in the most recent Long Range Forecast and Supply Plan for NSTAR Gas as approved by the Department in Commonwealth Gas Company, D.P.U./D.T.E. 96-117 (the "1996-2001 Supply Plan"); (2) is consistent with the Company's Long Range Forecast and Supply Plan pending before the Department in D.T.E. 02-12 (the "2001-2006 Supply Plan"), and (3) compares favorably to the range of alternatives reasonably available to the Company and its customers.

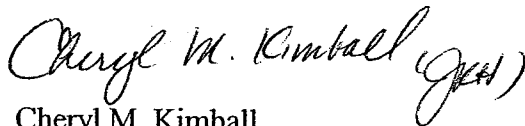
Pursuant to G.L. c. 25, § 5D, the Company requests that all items relating to contract price be protected from public disclosure because of the competitively sensitive and proprietary nature of the pricing terms. Accordingly, NSTAR Gas is submitting under separate cover a Motion for Protective Treatment of Confidential Information and redacted copies of: (1) the FST Service Agreement (Attachment B); and (2) the

Company's economic analysis (Attachment E). Consistent with Department practice, the Company will submit the confidential exhibits to the Attorney General or other full parties for review pursuant to a mutually acceptable non-disclosure agreement.

As noted above, service under the Agreements will be provided for a primary term of one year, which began on April 1, 2003. However, the term of the Agreements will continue thereafter unless and until terminated by either NSTAR Gas or National Fuel upon six months advance written notice specifying as the termination date the expiration of the primary term (March 31, 2004) or any anniversaries of that date. Accordingly, because the Department must approve contracts for the purchase of gas with terms in excess of one year (see G.L. c. 164, § 94A), if the Department does not approve the Agreements by September 30, 2003, NSTAR Gas effectively will be required to notify National Fuel by that date that it will terminate the contract as of March 31, 2004. Therefore, the Company requests that the Department issue a decision on the contract approval by September 15, 2003, to allow NSTAR Gas sufficient opportunity to notify National Fuel by September 30, 2003 regarding the Company's desire to continue the Agreements after March 31, 2004.

Thank you for your consideration and assistance in this matter.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Cheryl M. Kimball (J.K.H.)".

Cheryl M. Kimball

John K. Habib

Enclosures

cc: Paul G. Afonso, General Counsel
George Yiankos, Director, Gas Division
Andréas Thanos, Assistant Director, Gas Division
Joseph Rogers, Assistant Attorney General
Carol Wasserman, Esq., Division of Energy Resources
Nem Jain, NSTAR Gas
Barbara Stamos, NSTAR Gas

NSTAR GAS COMPANY EXPLANATORY STATEMENT

I. INTRODUCTION

In this proceeding, NSTAR Gas Company ("NSTAR Gas" or the "Company") is seeking approval by the Department of Telecommunications and Energy (the "Department") of two interrelated Service Agreements with the National Fuel Gas Supply Corporation ("National Fuel"). The Service Agreements consist of an FSS Service Agreement for firm storage service (the "FSS Agreement") and an FST Service Agreement for firm transportation service ("FST Agreement") (collectively, the "Agreements"). Through these two Agreements, National Fuel will provide: (1) firm storage service to NSTAR Gas up to a Maximum Storage Quantity ("MSQ") of 350,000 Dekatherms ("Dth") per year, and (2) firm transportation service to the Company's citygates. The Agreements would commence on April 1, 2003 and continue for a one-year term ending on March 31, 2004, with the option to continue service thereafter under certain conditions. As described herein, the pricing terms of the Agreements result in a substantial discount off of National Fuel's maximum tariff rates for the combined storage and transportation services. The National Fuel storage and transportation services represent new resources within the NSTAR Gas supply portfolio and have been acquired to meet an identified shortage of resources that would occur under design-winter conditions.

This Explanatory Statement and the attached supporting documentation demonstrate that the proposed Agreements meet the Department's standard for the addition of new resource contracts. Specifically, the Company's arrangement with National Fuel: (1) is consistent with the portfolio objectives established in the Company's most-recently approved Long Range Forecast and Supply Plan, Commonwealth Gas Company, D.P.U./D.T.E. 96-117 (the

"1996-2001 Supply Plan") and the most recent Long Range Forecast and Supply Plan pending before the Department in D.T.E. 02-12 (the "2001-2006 Supply Plan"); and (2) compares favorably to the range of alternatives currently available to the Company and its customers.

II. THE COMPANY'S PROPOSAL

The Company executed the Agreements with National Fuel on March 3, 2003. Pursuant to the FSS Agreement, National Fuel will provide firm storage service to NSTAR Gas up to an MSQ of 350,000 Dth per year. The FSS Agreement is provided herewith as Attachment A. Also on March 3, 2003, the Company executed the FST Service Agreement with National Fuel. Pursuant to the FST Agreement, National Fuel will provide firm transportation service to NSTAR Gas up to a Contract Maximum Daily Injection Quantity ("MDITQ") of 2,131 Dth and a Contract Maximum Daily Withdrawal Transportation Quantity ("MDWTQ") of 3,182 Dth. The FST Agreement is provided herewith as Attachment B.

Service under the Agreements will be provided for a primary term of one year, which began on April 1, 2003. The term of the Agreements will continue thereafter unless and until terminated by either NSTAR Gas or National Fuel upon six months advance written notice specifying as the termination date the expiration of the primary term (March 31, 2004) or any anniversaries of that date.¹ However, if NSTAR Gas receives the Department's approval of the Agreements on or before September 30, 2003, and National Fuel receives all necessary FERC approvals of the Agreements, they may continue through March 31, 2006. The Agreements will

¹ Accordingly, because the Department must approve contracts for the purchase of gas with terms in excess of one year (see G.L. c. 164, § 94A), if the Department does not approve the Agreements by September 30, 2003, NSTAR Gas effectively will be required to notify National Fuel that it will terminate the contract as of March 31, 2004.

continue thereafter unless and until terminated by either NSTAR Gas or National Fuel upon 12 months written notice specifying as the termination date the expiration of March 31, 2006 or any anniversary thereof.

III. STANDARD OF REVIEW

In evaluating a gas utility's options for the acquisition of commodity resources as well as for the acquisition of capacity pursuant to G.L. c. 164, § 94A, the Department examines whether the acquisition of the resource is consistent with the public interest. Commonwealth Gas Company, D.P.U 94-174-A at 27 (1996). To determine whether the proposed acquisition of a resource is consistent with the public interest, the Department evaluates whether, at the time of the acquisition or contract renegotiation, the transaction: (1) is consistent with the company's portfolio objectives; and (2) compares favorably to the range of alternatives reasonably available to the company and its customers, including releasing capacity to customers migrating to transportation. Id. To establish that the resource acquisition is consistent with portfolio objectives, the Department may refer to portfolio objectives established in a recently-approved resource plan. Id. at 97-98.

To determine whether a proposed resource compares favorably to the range of alternatives reasonably available to the company, the Department will evaluate both price and non-price factors. For price, the Department considers whether the pricing terms are competitive with those for the range of other options that were available to the company at the time of the acquisition, as well as with those opportunities that were available to other local distribution companies in the region. Id. at 28. With respect to non-price factors, the Department will

determine whether the acquisition satisfies the LDC's non-price objectives, including, but not limited to, flexibility of nominations and reliability and diversity of supplies. Id. at 29.

IV. THE PROPOSED AGREEMENT WITH NATIONAL FUEL IS CONSISTENT WITH THE PUBLIC INTEREST

A. The Proposed Agreement Is Consistent With Both the Company's Most-Recently Approved and Pending Supply Plans.

On January 11, 2000, the Department approved the 1996-2001 Supply Plan of Commonwealth Gas Company, predecessor to NSTAR Gas, which governed the five-year period November 1, 1996 through October 31, 2001. Commonwealth Gas Company, D.T.E./D.P.U. 96-117 (2000). In its order approving the 1996-2001 Supply Plan, the Department made the following findings: (1) the Company's demand forecasts, sendout forecast and planning standards were reviewable, appropriate and reliable; (2) the Company's supply plan was adequate to meet the Company's sendout requirements for the forecast period; (3) the Company's supply planning process was sufficient to enable it make least-cost supply decisions; and (4) the Company's resource planning and acquisition process ensured the Company's ability to acquire resources to meet its needs at least cost. See id. at 13, 21, 37, 54 and 59.

On February 4, 2002, the Company filed with the Department its 2001-2006 Supply Plan. See NSTAR Gas Company, D.T.E. 02-12.² The portfolio objectives of the Company detailed in its 2001-2006 Supply Plan are consistent with those outlined in the Company's approved 1996-2001 Supply Plan. Specifically, in the 2001-2006 Supply Plan, the Company projected design-year sendout requirements for the forecast period. The forecast was as follows:

² The 2001-2006 Supply Plan is pending with the Department.

Table VII-3: Design Year Adequacy (Bbtu)					
Gas Year	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006
Served Demand	42,313	42,520	42,788	42,705	42,642
Unserved Demand	0	28	11	239	397
Total Demand	42,313	42,548	42,799	42,944	43,039
Pipeline Resources	31,967	31,822	31,764	31,680	31,888
Storage Resources	6,722	6,915	7,241	7,242	7,244
LNG Resources	3,624	3,783	3,783	3,783	3,510

See 2001-2006 Supply Plan at 94 (Table VII-3). As reflected above, the Company identified a modest deficiency in supply during a design winter beginning in the 2002-2003 split year.

The Company provided further details regarding the nature of this deficiency in the 2001-2006 Supply Plan (see Attachment 1, Table G-22D, Page 1 ("Table G-22D")) and during the October 8, 2002 evidentiary hearing in D.T.E. 02-12 held by the Department (see D.T.E. 02-12 (Tr. 1, at 38-41)).³ These sources demonstrate that NSTAR Gas identified a shortage in resources that was expected to occur during a design winter. The identified shortage was forecasted to be small initially, but growing somewhat during the later years of the forecast period. In discussing the forecasted design-winter deficiency in the 2001-2006 Supply Plan, the Company noted that it planned to address this deficiency through LNG and/or supplemental supply arrangements to meet customer requirements (2001-2006 Supply Plan at 93).

Then, on August 1, 2002, NSTAR Gas entered into an agreement with KeySpan Energy Delivery Company ("KeySpan") to serve approximately 1,100 new customers in Plymouth served historically by KeySpan's affiliate, Colonial Gas Company. See Colonial Gas

³ For ease of reference, the Company has attached Table G-22D and the relevant pages of the October 8, 2002 transcript in D.T.E. 02-12 as Appendices C and D to this filing.

Company/NSTAR Gas Company, D.T.E. 02-44 (2002).⁴ NSTAR Gas began serving a portion of these customers directly during November 2002. To incorporate these customers into the Supply Forecast, the Company has refined its design-year adequacy forecast to account for this small increase in load. The Company determined that, during a design winter, the Company would experience incremental additional shortages in resources over the forecast period as a result of the additional load represented by the new Plymouth customers. The Company's updated forecast is as follows:

Design Year Adequacy (Bbtu)					
Gas Year	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006
Served Demand	42,313	42,520	42,788	42,705	42,642
Unserved Demand	0	88	71	299	457
Total Demand	42,313	42,608	42,859	43,004	43,099
Pipeline Resources	31,967	31,822	31,764	31,680	31,888
Storage Resources	6,722	6,915	7,241	7,242	7,244
LNG Resources	3,624	3,783	3,783	3,783	3,510

As demonstrated in the chart above, the increase in the supply deficiency caused by the addition of the Plymouth load is relatively small, particularly in the earlier years of the demand forecast. However, the Company projects growth in the shortfall in the later years of the forecast and increased reliance on market-area purchases to meet future firm requirements, which typically have a high cost during cold weather conditions and rely on upstream transportation arrangements, the reliability of which cannot be ensured. Accordingly, the Company determined that it requires additional firm resources to address the increasing forecasted supply deficiency

⁴ In addition to the Company's and Colonial's joint petition in D.T.E. 02-44 filed with the Department on April 15, 2002, which notified the Department of this agreement, NSTAR Gas notified the Department of this agreement during the October 8, 2002 evidentiary hearing in D.T.E. 02-12 (Tr. 1, at 39). See Appendix D attached hereto.

during a design winter.⁵

Over the last several months, the Company reviewed its resource portfolio to determine the most efficient and reliable means of addressing the deficiency. To meet its design-year needs during the heating season, the Company maintains a resource portfolio composed of: (1) long-haul pipeline capacity contracts; (2) storage and related short-haul transportation contracts; and (3) supplemental or peaking supply contracts, including contracts for liquefied-natural gas ("LNG"). Each of these options was considered as a means to address the design-winter deficiency. As discussed below, the Company determined that the National Fuel Agreements represented the most cost-efficient means of addressing the forecasted deficiency.

Long-haul transportation services generally have the lowest cost per unit of all resources when used as a baseload supply at a high load factor. These resources also have the additional advantage of being sourced from liquid supply points. However, when used to meet a seasonal shortfall, such as the one identified by the Company, long-haul supplies are generally more expensive than alternatives such as storage due to the fact that they would be used at a low load factor. Accordingly, the Company determined that acquiring additional long-haul transportation services would not be the most cost-effective option to meet the identified need. The Company thus determined that storage and related short-haul capacity contracts or incremental LNG would be more efficient means of meeting the design-winter deficiency.

With regard to incremental LNG or delivered citygate peaking services, peaking services are generally more cost-effective when used to meet daily requirements during the coldest days of the winter and are less efficient when used to meet a seasonal shortfall of the type identified by

⁵ However, the Company continues to have sufficient resources to meet design-day requirements.

the Company in its Plan. As demonstrated in the Plan, the Company's existing LNG resources are more than sufficient to meet its peak or design-day requirements (including the incremental Plymouth load) throughout the forecast horizon. Therefore, the Company determined that an incremental storage service would be the most cost-effective and reliable incremental supply alternative.

In reviewing options for acquiring additional storage, the Company identified several practical considerations. Optimally, the Company preferred to procure a storage service that would be accessible to both the Tennessee Gas Pipeline Company's ("TGP") and the Texas Eastern Transmission Company ("TETCO")/Algonquin Gas Transmission Company ("Algonquin") portions of its system, as the identified supply shortfall affects its overall inventory position and is not associated with a particular division. In addition, the flexibility offered by such a storage service would assist the Company in meeting potential load growth throughout its system. Although the Company does have some ability to effectuate movement of gas from parts of its system served by either pipeline through internal system transfers, the Company determined that practical operational considerations and upstream contract constraints limited the Company's ability to be able to rely on this option to meet the forecasted deficiency. Therefore, the Company determined that its best storage alternative would be in a location able to facilitate flexible deliveries into either the Tennessee or Algonquin side of the system without having to make elaborate and expensive transportation arrangements. A final consideration for the Company was that the most cost-effective storage services, such as Dominion's GSS and Tennessee's FSMA services are, and have been, fully subscribed and are currently unavailable as incremental services. Accordingly, these practical considerations limited the resource

alternatives available to the Company.

Although existing TETCO/Algonquin and Tennessee storage services were not available to the Company, the Company determined that storage and transportation services were being offered by National Fuel through an open season process. Because National Fuel is a reticulated pipeline with receipt and delivery points accessible to several other pipelines, including Tennessee and (through the Company's existing Transco capacity) Algonquin, storage service on National Fuel offers the Company a great deal of flexibility in its use.

Therefore, the National Fuel storage and transportation services were the only reasonable and cost-effective options available to the Company to efficiently and reliably meet the Company's forecasted sendout requirements in the 2001-2006 Supply Plan, and the procurement of the National Fuel resources is consistent with Company's portfolio objectives as documented by the Company in the 2001-2006 Supply Plan. Moreover, because the portfolio objectives detailed in the Company's 2001-2006 Supply Plan are consistent with those detailed in the Company's approved 1996-2001 Supply Plan, the procurement of the National Fuel services is consistent with the Company's most-recently approved supply plan.

B. The Agreements Compare Favorably to the Range of Alternatives Reasonably Available to the Company and its Customers.

1. Cost Factors

The Company analyzed the cost of the Agreements based on their collective rate structure. The rate for the FSS Agreement is the rate provided under Rate Schedule FSS set forth in National Fuel's effective Federal Energy Regulatory Commission ("FERC") Gas Tariff. With regard to the FST Agreement, the total monthly charge for Reservation under the FST Agreement

and the commodity charge are reflected in Attachments B and E hereto.

In order to assess the reasonableness of the cost of the National Fuel storage and transportation services, the Company compared the cost of the Agreements to the cost of other available, but less than optimal, resources that could be delivered to that part of the Company's system served by Algonquin. For example, although the Company determined that long-haul transportation capacity was inappropriate for meeting the Company's identified need for increased inventory, for purposes of comparing the costs of demonstrating that the Agreements are least cost, the Company performed this comparison. Specifically, the Company compared the costs of the Agreements with the rates charged by TETCO and Algonquin (Hubline) for long-haul pipeline transportation rates for comparable volumes of gas. This comparison demonstrates that the cost of National Fuel's storage and transportation services is less than the long-haul transportation options. See Appendix E.

In addition, the Company compared the cost of the National Fuel resources with similar storage resources in the Company's portfolio, although, as noted previously, these alternative resources were fully subscribed at the time the Agreements were negotiated and were therefore unavailable to the Company. Specifically, the Company compared the costs of the National Fuel resources with storage rates offered by: (1) Dominion Transmission Inc.; (2) TETCO; (3) TGP; and (4) Steuben Gas Storage Company. This comparison demonstrates that the cost of National Fuel's storage and transportation resources compares favorably to these storage-related options. See id.

2. Non-Cost Factors

In addition to cost factors, the Department evaluates non-cost factors to determine whether a proposed gas supply agreement is in the public interest. With respect to non-cost factors, the Company evaluates the reliability, flexibility and diversity that a new resource would add (or subtract) from the overall resource portfolio. The Company used a number of criteria to assess each of these non-price factors on a qualitative basis.

Reliability is a crucial qualitative factor that refers to the ability of a supplier to fulfill commitments based on past performance, its operational strengths and proffered terms and conditions. With respect to the Company's resource planning, reliability refers to the degree of assurance that a resource will be available on demand for utilization in meeting the Company's firm load requirements. A supplier's willingness and ability to provide warranties or supply assurances commensurate with the level of "firmness" sought is an indicator of reliability, as is a supplier's financial strength.

From the Company's perspective, diversity is achieved by maintaining a supply portfolio that is structured such that any single supply or transportation disruption will have a minimal impact on the Company's overall supply situation. In terms of the Company's overall portfolio, diversity is achieved by obtaining supplies from multiple access areas and liquid receipt points, such as the U.S. Gulf coast (both on and offshore) and Canadian supply basins, and using multiple pipeline routes and a mix of market area storage and peak-shaving facilities.

Flexibility is another important non-price factor that is evaluated by the Company. Flexibility refers to the ability of a potential supplier to adjust supplies to match changing system demands caused by temperature or other factors. Because the Company's demand profile

exhibits a high degree of temperature sensitivity and seasonality, sendout volumes vary on a monthly or daily basis. Therefore, the Company's portfolio is composed of a mix of resources including supplies delivered via long-haul pipeline capacity, storage and peak-shaving facilities that can be used in various combinations to meet specific needs.

Each of these non-cost factors weighed in favor of the Company's decision to enter into the proposed Agreements. First, the proposed Agreements will increase the reliability and flexibility of gas deliveries on the TETCO/Algonquin pipeline serving the NSTAR Gas service area. As noted previously, the design-year deficiency is forecasted during a design winter in that part of the Company's system served by TETCO/Algonquin. Accordingly, by procuring a resource that can be delivered to the TETCO/Algonquin system, the Company's reliability of supply will be increased, particularly during design winter conditions. Moreover, the National Fuel storage can be delivered to the Company's service territory via one of the Company's existing transportation sources (i.e., Transcontinental Gas Pipeline Co.) (see 2001-2006 Supply Plan, Attachment 1, Table G-24). Therefore, in addition to promoting system reliability, the location of the National Fuel storage promotes system flexibility because it will increase the Company's ability to respond to seasonal fluctuations in demand so that reliability is maintained in a cost-efficient manner.

With respect to diversity, the Agreements will enhance the Company's system diversity because the addition of new storage from National Fuel will allow the Company to conserve its gas storage in other locations along the TETCO/Algonquin pipeline. Accordingly, the National Fuel storage will allow the Company to displace withdrawals that would otherwise have been made from TETCO accounts and preserve inventory levels throughout a design season.

V. CONCLUSION

As discussed above, the addition of the National Fuel resources to the Company's portfolio is consistent with the Company's established portfolio objectives. The National Fuel Agreements also compare favorably to the range of alternatives reasonably available to the Company and its customers based both on price and non-price factors. Therefore, the National Fuel Agreements represent a cost-effective means for the Company to meet its ongoing service obligations to customers. Accordingly, the Company requests that the Department approve the proposed Agreements.

**SERVICE AGREEMENT #010516
(FSS Service)**

AGREEMENT made this 3rd day of March, 2003, by and between National Fuel Gas Supply Corporation, a Pennsylvania corporation, hereinafter called "Transporter," and NSTAR Gas Company, a Massachusetts corporation, hereinafter called "Shipper."

WITNESSETH: That in consideration of the mutual covenants herein contained, the parties hereto agree that Transporter will store natural gas for Shipper during the term, at the rates and on the terms and conditions hereinafter provided.

ARTICLE I

Quantities

Beginning on the date on which storage service is commenced hereunder and thereafter for the remaining term of this Agreement, and subject to the provisions of Transporter's FSS Rate Schedule Transporter agrees to receive, cause to be injected into storage for Shipper's account, store, withdraw from storage, and deliver to Shipper quantities of natural gas as follows:

Maximum Storage Quantity (MSQ) of 350,000 Dekatherms (Dth)

Contract Maximum Daily Injection Quantity (Contract MDIQ) of 2,059 Dth

Contract Maximum Daily Withdrawal Quantity (Contract MDWQ) of 3,182 Dth

Pursuant to Section 2.9 of the FSS Rate Schedule, Shipper's right to inject gas will vary according to the percentage of the Shipper's Maximum Storage Quantity (MSQ) occupied at the commencement of any given day as follows:

<u>Percentage of MSQ Occupied</u>	<u>Injection Right (Dth/day)</u>
From 0% to 70%	2,059
From greater than 70% to 100%	1,750

Pursuant to Section 2.9 of the FSS Rate Schedule, Shipper's right to withdraw gas will vary according to the percentage of the Shipper's Maximum Storage Quantity (MSQ) occupied at the commencement of any given day as follows:

<u>Percentage of MSQ Occupied</u>	<u>Withdrawal Right (Dth/day)</u>
From greater than 30% to 100%	3,182
From greater than 15% to 30%	2,917
From greater than 10% to 15%	2,592
From 0% to 10%	2,333

ARTICLE II

Rate

Unless otherwise mutually agreed in a written amendment to this Agreement, for the service provided by Transporter hereunder, Shipper shall pay Transporter the maximum rate provided under Rate Schedule FSS set forth in Transporter's effective FERC Gas Tariff. Transporter and Shipper may agree in such amendment that a specified discounted rate will apply only to specified quantities (MSQ, Contract MDIQ, Contract MDWQ, quantities injected or quantities withdrawn) under the agreement; that a specified discounted rate will apply only if specified quantities are achieved or only with respect to quantities below a specified level; that a specified discounted rate will apply only during specified periods of the year or for a specifically defined period; that a specified discounted rate will apply only to specified points, combination of points, zones or other defined geographic area(s); and/or that a specified discounted rate will apply in a specified relationship to the quantities actually injected or withdrawn [i.e., that the storage capacity or storage demand charge will be adjusted in a specified relationship to quantities actually injected or withdrawn]. Notwithstanding the foregoing, no discount agreement may provide that an agreed discount as to a defined quantity level will be invalidated if the Shipper transports an incremental quantity above the agreed level. Transporter and Shipper may agree to a discounted rate pursuant to this Article II provided that the discounted rate is between the applicable maximum and minimum rates.

In the event that Transporter places on file with the Federal Energy Regulatory Commission ("Commission") another rate schedule which may be applicable to transportation service rendered hereunder, then Transporter, at its option, may from and after the effective date of such rate schedule, utilize such rate schedule in performance of this Agreement. Such a rate schedule(s) or superseding rate schedule(s) and any revisions thereof which shall be filed and become effective shall apply to and be a part of this Agreement. Transporter shall have the right to propose, file and make effective with the Commission, or other body having jurisdiction, changes and revisions of any effective rate schedule(s), or to propose, file, and make effective superseding rate schedules, for the purpose of changing the rate, charges, and other provisions thereof effective as to Shipper. Shipper shall have the right to oppose any filing(s) Transporter may make pursuant to this Article II.

ARTICLE III

Term of Agreement

This Agreement shall be effective upon the date hereof. Service hereunder shall commence April 1, 2003 and continue in effect for a primary term ending March 31, 2004, and shall continue in effect thereafter unless and until terminated by either Shipper or Transporter upon 6 months advance written notice specifying as the termination date the expiration of the primary term or any anniversary thereof. Provided, however, that subject to (a) Shipper's receipt of authorization by the Massachusetts Department of Telecommunications and Energy, on or before September 30, 2003, to enter into this Service Agreement for the term set forth in this sentence, and (b) Transporter's receipt of any necessary approvals by the Commission pertaining to this term provision, service hereunder shall continue in effect for a primary term ending March 31, 2006, and shall continue in effect thereafter unless and until terminated by either Shipper or Transporter upon 12 months written notice specifying as the termination date the expiration of the primary term or any anniversary thereof.

The Injection Period shall be from April 1 to October 31 and the Withdrawal Period shall be from November 1 to March 31. The Injection and Withdrawal Periods shall constitute the Storage Period.

ARTICLE IV

Receipt and Delivery Points

The Point(s) of Receipt for all gas that may be received for Shipper's account for storage by Transporter shall be: Transporter's storage system.

The Point(s) of Delivery for all gas to be delivered by Transporter for Shipper's account shall be: Transporter's storage system.

ARTICLE V

Regulatory Approval

Performance under this Agreement by Transporter and Shipper shall be contingent upon Transporter receiving all necessary regulatory or other governmental approvals upon terms satisfactory to Transporter. Should Transporter be denied such approvals to provide the service contemplated herein or construct and operate any necessary facilities therefor upon the terms and conditions requested in the application therefor, then Transporter's and Shipper's obligations hereunder shall terminate.

ARTICLE VI

Incorporation By Reference of Tariff Provisions

To the extent not inconsistent with the terms and conditions of this Agreement, the provisions of Rate Schedule FSS, or any effective superseding rate schedule or otherwise applicable rate schedule, including any provisions of the General Terms and Conditions incorporated therein, and any revisions thereof that may be made effective hereafter are hereby made applicable to and a part hereof by reference.

ARTICLE VII

Miscellaneous

1. No change, modification or alteration of this Agreement shall be or become effective until executed in writing by the parties hereto, and no course of dealing between the parties shall be construed to alter the terms hereof, except as expressly stated herein.

2. No waiver by any party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any other default or defaults, whether of a like or of a different character.

3. Any company which shall succeed by purchase, merger or consolidation of the gas related properties, substantially as an entirety, of Transporter or of Shipper, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Agreement. Either party may, without relieving itself of its obligations under this Agreement, assign any of its rights hereunder to a company with which it is affiliated, but otherwise, no assignment of this Agreement or of any of the rights or obligations hereunder shall be made unless there first shall have been obtained the consent thereto in writing of the other party. Consent shall not be unreasonably withheld.

4. Except as herein otherwise provided, any notice, request, demand, statement or bill provided for in this Agreement, or any notice which either party may desire to give the other, shall be in writing and shall be considered as duly delivered when mailed by registered or certified mail to the Post Office address of the parties hereto, as the case may be, as follows:

Transporter: National Fuel Gas Supply Corporation
Marketing Department
Room 1402
10 Lafayette Square
Buffalo, New York 14203

Shipper: NSTAR Gas Company
Attn: Nem C. Jain
157 Cordaville Road
Southborough, Massachusetts 01772

or at such other address as either party shall designate by formal written notice. Routine communications, including monthly statements, shall be considered as duly delivered when mailed by either registered, certified, or ordinary mail, electronic communication, or telecommunication.

5. Transporter shall proceed with due diligence to obtain such governmental and other regulatory authorizations as may be required for the rendition of the services contemplated herein, provided that Transporter reserves the right to file and prosecute applications for such authorizations, any supplements or amendments thereto and, if necessary, any court review, in such manner as it deems to be in its best interest, including the right to withdraw the application or to file pleadings and motions (including motions for dismissal).

6. This Agreement and the respective obligations of the parties hereunder are subject to all present and future valid laws, orders, rules and regulations of constituted authorities having jurisdiction over the parties, their functions or gas supply, this Agreement or any provision hereof. Neither party shall be held in default for failure to perform hereunder if such failure is due to compliance with laws, orders, rules or regulations of any such duly constituted authorities.


7. The subject headings of the articles of this Agreement are inserted for the purpose of convenient reference and are not intended to be a part of the Agreement nor considered in any interpretation of the same.

8. No presumption shall operate in favor of or against either party hereto as a result of any responsibility either party may have had for drafting this Agreement.


9. THE INTERPRETATION AND PERFORMANCE OF THIS AGREEMENT SHALL BE IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT RECOURSE TO THE LAW REGARDING THE CONFLICT OF LAWS.

The parties hereto have caused this Agreement to be signed by their duly authorized personnel the day and year first above written.

NATIONAL FUEL GAS SUPPLY CORPORATION
(Transporter)

Signature:  *per*
Name: John R. Pustulka
Title: Sr. Vice President

NSTAR GAS COMPANY
(Shipper)

Signature: 
Name: Ellen K Angley
Title: VP

**SERVICE AGREEMENT #N10517
(FST Service)**

AGREEMENT made this 3rd day of March, 2003, by and between National Fuel Gas Supply Corporation, a Pennsylvania corporation, hereinafter called "Transporter" and NSTAR Gas Company, a Massachusetts corporation, hereinafter called "Shipper."

WHEREAS, Shipper has requested that Transporter transport natural gas; and

WHEREAS, Transporter has agreed to provide such transportation for Shipper subject to the terms and conditions hereof

WITNESSETH: That, in consideration of the mutual covenants herein contained, the parties hereto agree that Transporter will transport for Shipper, on a firm basis, and Shipper will furnish, or cause to be furnished, to Transporter natural gas for such transportation during the term hereof, at the prices and on the terms and conditions hereinafter provided.

ARTICLE I

Quantities

Beginning on the date on which deliveries of gas are commenced hereunder and thereafter for the remaining term of this Agreement, and subject to the provisions of Transporter's FST Rate Schedule, Transporter agrees to transport for Shipper up to the following quantities of natural gas:

Contract Maximum Daily Injection Transportation Quantity (MDITQ) of 2,131 Dekatherms (Dth)

Contract Maximum Daily Withdrawal Transportation Quantity (MDWTQ) of 3,182 Dekatherms (Dth)

ARTICLE II

Rate

Unless otherwise mutually agreed in a written amendment to this Agreement for the service provided by Transporter hereunder, Shipper shall pay Transporter the maximum rate provided under Rate Schedule FST set forth in Transporter's effective FERC Gas Tariff. Transporter and Shipper may agree in such amendment that a specified discounted rate will apply only to specified quantities (Contract MDITQ, Contract MDWTQ or commodity quantities) under the agreement; that a specified discounted rate will apply only if specified quantities are achieved or only with respect to quantities below a specified level; that a specified discounted rate will apply only during specified periods of the year or for a specifically defined period; that a specified discounted rate will apply only to specified points, combinations of points, zones or other defined geographic area(s); and/or that a specified discounted rate will apply in a specified relationship to the quantities actually transported [i.e., that the reservation charge will be adjusted in a specified relationship to quantities actually transported]. Notwithstanding the foregoing, no discount agreement may provide that an agreed discount as to a defined quantity level will be invalidated if the Shipper transports an incremental quantity above the agreed level. Transporter and Shipper may agree to a discounted rate pursuant to this Article II provided that the discounted rate is between the applicable maximum and minimum rates.

In the event that Transporter places on file with the Federal Energy Regulatory Commission ("Commission") another rate schedule which may be applicable to transportation service rendered hereunder, then Transporter, at its option, may from and after the effective date of such rate schedule, utilize such rate schedule in performance of this Agreement. Such a rate schedule(s) or superseding rate schedule(s) and any revisions thereof which shall be filed and become effective shall apply to and be a part of this Agreement. Transporter shall have the right to propose, file and make effective with the Commission, or other body having jurisdiction, changes and revisions of any effective rate schedule(s), or to propose, file, and make effective superseding rate schedules, for the purpose of changing the rate, charges, and other provisions thereof effective as to Shipper. Shipper shall have the right to oppose any filing(s) Transporter may make pursuant to this Article II.

ARTICLE III

Term of Agreement

This Agreement shall be effective upon the date hereof. Service hereunder shall commence April 1, 2003 and continue in effect for a primary term ending March 31, 2004 and shall continue in effect thereafter unless and until terminated by either Shipper or Transporter upon 6 months advance written notice specifying as the termination date the expiration of the primary term or any anniversary thereof. Provided, however, that subject to (a) Shipper's receipt of authorization by the Massachusetts Department of Telecommunications and Energy, on or before September 30, 2003, to enter into this Service Agreement for the term set forth in this sentence, and (b) Transporter's receipt of

any necessary approvals by the Commission pertaining to this term provision, service hereunder shall continue in effect for a primary term ending March 31, 2006, and shall continue in effect thereafter unless and until terminated by either Shipper or Transporter upon 12 months written notice specifying as the termination date the expiration of the primary term or any anniversary thereof.

ARTICLE IV

Points of Receipt and Delivery

The primary injection receipt point(s) for all gas that may be received for Shipper's account for transportation by Transporter for injection, and the MDITQ applicable to each such point of receipt, shall be: See Exhibit A.

The primary injection delivery point(s) for all gas to be delivered by Transporter for Shipper's account for injection and the MDITQ applicable to each point of delivery shall be: See Exhibit A.

The primary withdrawal receipt point(s) for all gas that may be received for Shipper's account for transportation by Transporter after withdrawal and the MDWTQ applicable to each such point of receipt, shall be: See Exhibit A.

The primary withdrawal delivery point(s) for all gas to be delivered by Transporter for Shipper's account after withdrawal and the MDWTQ applicable to each point of delivery shall be: See Exhibit A.

ARTICLE V

Gas Pressures at Points of Receipt and Delivery

The maximum and minimum pressure for each primary injection delivery point shall be: See Exhibit A.

The maximum and minimum pressure for each primary injection receipt point shall be: See Exhibit A.

The maximum and minimum pressure for each primary withdrawal delivery point shall be: See Exhibit A.

The maximum and minimum pressure for each primary withdrawal receipt point shall be: See Exhibit A.

ARTICLE VI

Regulatory Approval

Performance under this Agreement by Transporter and Shipper shall be contingent upon Transporter receiving all necessary regulatory or other governmental approvals upon terms satisfactory to Transporter. Should Transporter be denied such approvals to provide the service contemplated herein or construct and operate any necessary facilities therefor upon the terms and conditions requested in the application therefor, then Transporter's and Shipper's obligations hereunder shall terminate.

ARTICLE VII

Incorporation By Reference of Tariff Provisions

To the extent not inconsistent with the terms and conditions of this Agreement, the provisions of Rate Schedule FST, or any effective superseding rate schedule or otherwise applicable rate schedule, including any provisions of the General Terms and Conditions incorporated therein, and any revisions thereof that may be made effective hereafter are hereby made applicable to and a part hereof by reference.

ARTICLE VIII

Miscellaneous

1. No change, modification or alteration of this Agreement shall be or become effective until executed in writing by the parties hereto, and no course of dealing between the parties shall be construed to alter the terms hereof, except as expressly stated herein.

2. No waiver by any party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any other default or defaults, whether of a like or of a different character.

3. Any company which shall succeed by purchase, merger or consolidation of the gas related properties, substantially as an entirety, of Transporter or of Shipper, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Agreement. Either party may, without relieving itself of its obligations under this Agreement, assign any of its rights hereunder to a company with which it is affiliated, but otherwise, no assignment of this Agreement or of any of the rights or obligations hereunder shall be made unless there first shall have been obtained the consent thereto in writing of the other party. Consent shall not be unreasonably withheld.

4. Except as herein otherwise provided, any notice, request, demand, statement or bill provided for in this Agreement, or any notice which either party may desire to give the other, shall be in writing and shall be considered as duly delivered when mailed by registered or certified mail to the Post Office address of the parties hereto, as the case may be, as follows:

Transporter: National Fuel Gas Supply Corporation
Marketing Department
Room 1402
10 Lafayette Square
Buffalo, New York 14203

Shipper: NSTAR Gas Company
Attn: Nem C. Jain
157 Cordaville Road
Southborough, Massachusetts 01772

or at such other address as either party shall designate by formal written notice. Routine communications, including monthly statements, shall be considered as duly delivered when mailed by either registered, certified, or ordinary mail, electronic communication, or telecommunication.

5. Transporter shall proceed with due diligence to obtain such governmental and other regulatory authorizations as may be required for the rendition of the services contemplated herein, provided that Transporter reserves the right to file and prosecute applications for such authorizations, any supplements or amendments thereto and, if necessary, any court review, in such manner as it deems to be in its best interest, including the right to withdraw the application or to file pleadings and motions (including motions for dismissal).

6. This Agreement and the respective obligations of the parties hereunder are subject to all present and future valid laws, orders, rules and regulations of constituted authorities having jurisdiction over the parties, their functions or gas supply, this Agreement or any provision hereof. Neither party shall be held in default for failure to perform hereunder if such failure is due to compliance with laws, orders, rules or regulations of any such duly constituted authorities.

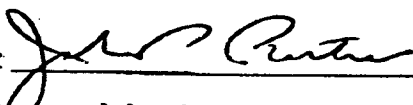
7. The subject headings of the articles of this Agreement are inserted for the purpose of convenient reference and are not intended to be a part of the Agreement nor considered in any interpretation of the same.

8. No presumption shall operate in favor of or against either party hereto as a result of any responsibility either party may have had for drafting this Agreement.

9. THE INTERPRETATION AND PERFORMANCE OF THIS AGREEMENT SHALL BE IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT RECOURSE TO THE LAW REGARDING THE CONFLICT OF LAWS.

The parties hereto have caused this Agreement to be signed by their duly authorized personnel the day and year first above written.

NATIONAL FUEL GAS SUPPLY CORPORATION
(Transporter)

Signature:  *DR*
Name: John R. Pustulka
Title: Sr. Vice President

NSTAR GAS COMPANY
(Shipper)

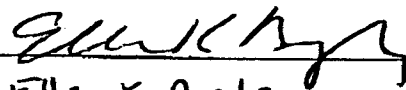
Signature: 
Name: Ellen K Angley
Title: VP

Exhibit A
To FST Service Agreement #N10517
Between
National Fuel Gas Supply Corporation (Transporter)
and
NSTAR Gas Company (Shipper)

Primary Injection Receipt Point(s)

Point	MDITQ (Dth/day)	Pressure
The interconnection between Transporter and Dominion Transmission, Inc. at Ellisburg (Point 41202).	2,131	Pressure adequate to enter Transporter's system.

Primary Injection Delivery Point(s)

Point	MDITQ (Dth/day)	Pressure
Transporter's Storage System.	2,131*	Pressure existing in Transporter's system.

Primary Withdrawal Receipt Point(s)

Point	MDWTQ (Dth/day)	Pressure
Transporter's Storage System.	3,182	Pressure adequate to enter Transporter's system.

Primary Withdrawal Delivery Point(s)

Point	MDWTQ (Dth/day)	Pressure
The interconnection between Transporter and Transcontinental Gas Pipe Line Corporation at Wharton (Point 6325).	3,182*	Pressure existing in Transporter's system.

* Less applicable fuel, loss and company-use retention.

Amendment I
to FST Service Agreement # N10517
between
National Fuel Gas Supply Corporation
and
NSTAR Gas Company

This AMENDMENT is entered into this 3rd day of March, 2003, by and between National Fuel Gas Supply Corporation ("Transporter"), and NSTAR Gas Company, ("Shipper"). This Amendment shall amend terms of the above-referenced service agreement (the "Service Agreement"), effective April 1, 2003, only as follows:

1. Subject to Section 3 of this Amendment, the following rates will be applied to all Transportation Service provided within the Quantity Limits set forth in Article I of this Service Agreement:

- a) The total monthly charge for Reservation will be
- b) The Commodity charge will be the maximum rate provided under Rate Schedule FST set forth in Transporter's effective FERC Gas Tariff.
- c) Applicable surcharges will be added to the rates shown in Sections 1(a) and (b) above, except that Transporter shall discount the GRI surcharge to the extent that it can do so without decreasing its retained revenues.

2. Transporter shall retain maximum fuel and loss retention, except that no fuel and loss retention shall be applied to transportation from the primary withdrawal receipt point.

3. The rate set forth in Section 1(a) of this Amendment is applicable only to the transportation of gas to the primary injection delivery point and transportation of gas from the primary withdrawal receipt point. If the FST Service Agreement is used for other transportation during any month ("Secondary Transportation"), the maximum applicable reservation rate provided under Rate Schedule FST shall be applied to a percentage of the Contract Maximum Daily Withdrawal Transportation Quantity obtained by dividing the quantity received for Secondary Transportation during that month by the product obtained by multiplying the Contract Maximum Daily Withdrawal Transportation Quantity from Article I of this Service Agreement by the number of days in that month. The reservation rate set forth in Section 1(a) of this Amendment shall be applied to a percentage of the Contract Maximum Daily Withdrawal Transportation Quantity equal to (i) 100% less (ii)


the percentage applicable to the maximum rates. The rates set forth in Sections 1(b) and 1(c) of this Amendment shall apply to all transportation hereunder.

4. Transporter may provide written notice to Shipper, on or before February 28, 2005 (or any yearly anniversary thereof), that rates greater than the discounted rates shown in Section 1(a) but less than or equal to the maximum rates provided under Rate Schedule FST shall apply to service under the Service Agreement as amended, commencing April 1, 2006 (or any corresponding yearly anniversary thereof), and if such notice is provided and the Service Agreement is not terminated pursuant to Article III, such rates shall thereafter apply.

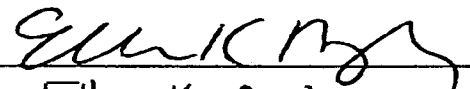
5. The parties shall keep the terms of this rate amendment confidential and shall not disclose such terms to any other party, except as required by applicable law, regulation or legal process.

6. The parties hereto have caused this Amendment to be signed by their duly authorized personnel the day and year first above written.

NATIONAL FUEL GAS SUPPLY CORPORATION
(Transporter)

Signature:  *enr*
Name: John R. Pustulka
Title: Sr. Vice President

NSTAR Gas Company
(Shipper)

Signature: 
Name: Ellen K Angley
Title: VP

COMPARISON OF RESOURCES AND REQUIREMENTS

DESIGN YEAR (Bbtu)

HEATING SEASON

Season	Winter 01-02	Winter 02-03	Winter 03-04	Winter 04-05	Winter 05-06
<u>REQUIREMENTS</u>					
1 FIRM	27,844	27,492	27,223	26,836	26,346
2 MIT	721	721	726	721	721
3 Cap Elig	1,604	2,131	2,571	3,091	3,636
4 Sub Total	30,169	30,343	30,520	30,647	30,703
5 Injections					
6 LNG	0	270	364	364	364
7 Underground	0	0	0	0	0
8 Sub Total	0	270	364	364	364
9 Total	30,169	30,613	30,884	31,011	31,067
<u>RESOURCES</u>					
10 Pipeline					
11 TGP	7,026	7,050	7,095	7,048	7,048
12 AGT/TETCO	12,754	12,884	13,084	13,017	13,028
13 ANE	678	678	683	678	678
14 Sub Total	20,459	20,612	20,862	20,743	20,753
15 Storage Withdrawals					
16 LNG	3,221	3,301	3,301	3,301	3,177
17 AGT/TETCO	3,434	3,596	3,553	3,564	3,570
18 TGP	3,054	3,076	3,158	3,164	3,169
19 Sub Total	9,710	9,973	10,011	10,029	9,917
20 Citygate Supplies	0	28	11	239	397
21 Total	30,169	30,613	30,884	31,011	31,067

15 to other parties to do a similar type of agreement.
16 Unfortunately, given the warm winter that we had
17 last year, we haven't had the response that we had
18 hoped. But we're trying to implement a similar-type
19 agreement with an appropriate party that can do
20 that.

21 Q. Ms. Stamos, did you provide a description of
22 asset management for the responses categorizing the
23 margins?

24 A. [STAMOS] I may not have. If I didn't, when
0038

1 we included asset-management margins in these
2 responses, we were -- or I was referring to sort of
3 comprehensive asset-management agreements with one
4 party, where one party would effectively obtain all
5 of our upstream resources through capacity releases,
6 and in exchange for receiving our upstream storage
7 and pipeline capacity, they would then be delivering
8 city-gate supplies to us.

9 Q. Ms. Stamos, would you direct your attention
10 to the company's response to AG-1-7. This response
11 indicates that the company will begin to experience
12 limited seasonal shortages during this winter under
13 design conditions; is that correct?

14 A. [STAMOS] Yes, that is correct.

15 Q. Has anything changed since the company made
16 its filing in February of this year that would
17 require a modification or correction to this
18 statement?

19 A. [STAMOS] Not that I am aware of. I believe
20 we are going to experience limited seasonal
21 shortages in the coming winter under design
22 conditions. I believe -- and Mr. Koster could
23 address this -- we have added some additional load
24 which will increase the limited seasonal shortages.
0039

1 But that's the only change that I'm aware of.

2 Q. Mr. Koster, would you like to add anything
3 to this question, or to Ms. Stamos's response?

4 A. [KOSTER] In what regard, sir?

5 Q. Ms. Stamos indicated that the company had
6 added additional load that would exacerbate the
7 design shortage.

8 A. [KOSTER] It's my understanding that on
9 approximately November 1st we are going to acquire
10 some load from KeySpan in the Plymouth area. Ponds
11 of Plymouth is a residential development of
12 approximately 850 customers, and then Buttermilk
13 Bay, which has approximately 250 customers. It's my
14 understanding that the Buttermilk Bay load will
15 continued to be supplied by KeySpan but that the
16 Ponds of Plymouth load will be supplied by NSTAR
17 Gas.

18 Q. Mr. Koster, has the company quantified the
19 impact that this additional load will have on design
20 sufficiency?

21 A. [KOSTER] Yes, it has. The peak seasonal
22 load associated with the Ponds of Plymouth is
23 approximately 120,000 MMBtu. When one looks at the
24 seasonal deficiencies under design weather
0040

1 conditions, that translates into an incremental
2 deficiency starting in this coming year of
3 approximately 60,000 MMBtu.

4 Q. Thank you. And how will that deficiency be
5 served, should it be experienced? This is for the
6 panel.

7 A. [STAMOS] I would expect -- as we state in
8 our filing, the deficiency would occur over a design
9 winter, not on a design day, and the increase that
10 Mr. Koster mentioned in the deficiency, I believe we
11 had originally under design conditions a 28,000-
12 decatherm deficiency, and now it's increasing to
13 approximately 90,000 decatherms over the course of
14 the season.

15 We are currently in discussions with a
16 supplier who will be able to supply city-gate
17 delivery services, and that's how we would meet it
18 for the winter season on a five-month basis. So
19 that's how we would expect to meet the deficiency.

20 A. [KOSTER] Just to support Ms. Stamos's
21 point: There is no design-day deficiency as a
22 result of this incremental load.

23 Q. Ms. Stamos, which of the company's divisions
24 are affected by the shortages?

0041

1 A. [STAMOS] That would be in the --

2 Well, actually, the shortage hasn't
3 really impacted any of the divisions. The new load
4 is in the New Bedford division. But the shortage
5 shows up in our overall resources, which aren't
6 necessarily -- for example, our LNG resources, which
7 aren't allocated to each division. We use it on our
8 system as a whole. So each of our divisions
9 separately has sufficient capacity to meet the
10 demand requirements; it's just that our overall LNG
11 inventory under design conditions could run out.

12 Q. Thank you. Ms. Stamos, would you direct
13 your attention to the chart on the company's
14 response to DOER-1-7. The company's response shows
15 the design-day resources and requirements for the
16 company's Cambridge, Framingham, and New Bedford
17 divisions; is that correct?

18 A. [STAMOS] Yes, it does.

19 Q. Are these divisions completely dependent on
20 Algonquin deliveries?

21 A. [STAMOS] Yes, they are, with the exception
22 of Framingham, which is contiguous with our
23 Worcester division; and gas -- there is an ability
24 to transfer gas between those two divisions.

0042

1 Q. Now, would you look back at the company's
2 response to AG-1-7. This response indicates that
3 the company has not assumed any transportation
4 customers exempt from mandatory capacity assignment
5 and that these customers will return to sales
6 service; is that correct?

7 A. [STAMOS] We are assuming, the forecast
8 assumes, that no customers that are exempt from
9 mandatory capacity assignment will come onto company
10 sales service. So they will stay exempt.

11 Q. Has the company assumed that any capacity-

National Fuel Storage Rates				
Rates:	NSTAR Gas Discounted Rates (1)		National Fuel Maximum Tariff Rates (1)	
	National Fuel Storage	Annual National Charges	National Fuel Storage	Annual National Charges
Deliverability Demand			5.5168	\$210,653
Space			0.0432	\$181,440
Injection Commodity			0.0202	\$7,070
Injection Fuel %			0.034	\$61,594
Withdrawal Fuel%			0.014	\$24,848
Withdrawal Commodity			0.0202	\$7,070
Annual Total				\$492,676
Cost/Unit (151 days @100%LF)				\$1.41
Comparable Storage Rates				
Capacity (Dth)	350,000		Assumptions: 1 turn per year	
Deliverability (Dth/day)	3,182		Gas Commodity:	\$5.00
Rates:	DTI GSS Rates		TGP FSMA Rates	
	DTI GSS Rates	Annual GSS Storage Charges	TGP FSMA Rates	Annual FSMA Charges
Deliverability Demand	1.8627	\$71,125	2.5314	\$96,659
Space	0.0143	\$60,060	0.0185	\$77,700
Injection Commodity	0.0209	\$7,315	0.0102	\$3,570
Injection Fuel %	0.0278	\$50,041	0.0149	\$26,469
Withdrawal Commodity	0.0178	\$6,230	0.0102	\$3,570
Annual Total	GSS	\$194,771	FSMA	\$207,968
Cost/Unit (151 days @100%LF)		\$0.56		\$0.59
Rates:	TETCO Storage (1)		Steuben Rates	
	TETCO Storage (1)	Annual TETCO Charges	Steuben Rates	Annual Steuben Charges
Deliverability Demand	5.455	\$208,294	4.3638	\$166,627
Space	0.0108	\$45,360	0.0419	\$175,980
Injection Commodity	0.0365	\$12,775	0.0032	\$1,120
Injection Fuel %	0.0086	\$15,181	0.015	\$26,650
Withdrawal Commodity	0.0589	\$20,615	0.0032	\$1,120
Annual Total	TETCO	\$302,224	Steuben	\$371,497
Cost/Unit (151 days @100%LF)		\$0.86		\$1.06
(1) The National Fuel and TETCO storage services include firm storage transportation rates.				
Pipeline Transportation Rates for Comparable Volumes				
TETCO FT-1 Rates - 365 Day Service				
Rates:	TETCO Rates		Annual TETCO Charges	
	TETCO Rates	Annual TETCO Charges		
TETCO Demand (ELA - M3)	12.484	\$476,689.06		
TETCO Commodity	0.0762	\$26,670.00		
TETCO Fuel	0.0957	\$185,198.50		
Annual Total		\$688,557.55		
Cost/unit		\$1.97		
Algonquin Hubline - 365 Day Service				
Rates:	Hubline Rates		Annual Hubline Charges	
	Hubline Rates	Annual Hubline Charges		
Hubline Demand	9.6954	\$370,209.15		
Hubline Commodity	0.0112	\$3,920.00		
Hubline Fuel	0.0114	\$20,180.05		
Annual Total		\$394,309.21		
Cost/unit		\$1.13		